

DATA RESPONSE

Barclays Bank announced plans yesterday to scrap 6000 jobs as part of a fundamental shake-up of its high street and corporate businesses.

The management said the shake-up would cost £400m, but would save £200m year in running costs. It would pave the way for the introduction of new technology, the centralisation of many of the bank's financial processes, but would not involve closure of branches.

Source: 'Troubled Barclays Bank to axe one in ten of 60 000 staff' by Barrie Clement, the Independent, 21/5/99.

A further 40 000 jobs could be in immediate danger in the banking industry because of growing competition from supermarkets and other newcomers to the business, according to industry estimates.

The banking sector has been hit hard by a series of 'restructuring' exercises — some 150 000 jobs have been lost over the past seven years — but there is more to come, analysts believe. Apart from the intervention of companies such as Egg, Tesco, Sainsbury and Virgin, there is also the growing use of new technology.

Increasing numbers of customers are indulging in armchair banking. Telephone call centres, a far cheaper means of conducting transactions for banks, are now the fastest growing sector of the industry. 'Banks are very aware that people are going to be conducting their banking affairs at home,' said Jeremy Batstone of NatWest Stockbrokers. More customers are also using the Internet, while digital television can also be used for a similar purpose.

Mr Batstone said that before the late Eighties a job in banking was seen as a 'job for life' but tougher competition had put paid to that. Banks wanted to replace staff with technology, he said. Unifi, the banking union, fears that the high street could be inundated with completely automated banks in which customers would 'interact' with machines and screens rather than speak to staff.

Source: 'Old-style financial services at risk from new methods' by Barrie Clement, the Independent, 21/5/99.

- a] What type of unemployment is the article discussing? (3)
- b] Why is the loss of 6000 and then possibly 400 000 jobs likely to lead to a greater, faster loss of jobs throughout the economy? (5)
- c] What has caused employment to fall in the banking sector? (4)
- d] What effect does a relatively high degree of substitution between labour and capital in a sector have on:
 - i the elasticity of demand for labour (4)
 - ii the wage rates of workers? (3)
- e] Discuss whether any groups of workers now have a 'job for life'. (6)